



Board of Directors and Aaron Harris
ICAN (Improving Chandler Area Neighborhoods)
650 E Morelos Street
Chandler, Arizona 85225

We have audited the financial statements of ICAN for the year ended June 30, 2018, and have issued our report thereon dated September 12, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 28, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal controls of ICAN. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. However, the standards do not require us to design procedures specifically to identify such matters.

Qualitative Aspects of Significant Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ICAN are described in Note 1 to the financial statements. No new accounting policies were adopted and application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the nature of the Organization and its funding sources, there are no estimates that are particularly sensitive

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attached is a summary of adjustments made to the financial statements that have been recorded by management. Also attached is a schedule summarizing uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached copy of the management representation letter dated September 12, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Observations and Recommendations

We observed the following matters which came to our attention during the course of the audit of the financial statements and offer these comments and suggestions with respect to these matters.

Tracking Releases of Purpose-Restricted Contributions

The Organization receives various contributions in the form of grants which may include purpose restrictions. In recent years, these contributions were mostly purpose-restricted for a program, where expenses on an annual basis for the individual program would be well in excess of the purpose restricted amount. Since the Organization's policy is to record restricted contributions as unrestricted if the restriction is met in the same period, in this situation it was not necessary to track specific expenses relating to these types of general purpose restrictions. However, when restrictions are more specific than just for operation of a program, it requires an accurate tracking system of the specific expenses incurred that release the restriction. We recommend that the Organization maintain a spreadsheet of restricted contributions received, with a detailed description of the purpose restriction. On a monthly or quarterly basis, we recommend that the Organization review the expenses incurred during the month or quarter, and determine which expenses meet the purpose restrictions, update the spreadsheet to show the release of the restriction, and keep records of the specific expenses causing the release. If the releases of restricted contributions are not tracked when the purpose restriction is specific, temporarily restricted net assets may be understated at year-end, and unrestricted net assets may be overstated. The balance of available unrestricted net assets may affect decisions made by board governance.

This communication is intended solely for the information and use of ICAN's Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Henry + Horne, LLP

Tempe, Arizona
September 12, 2018

Henry & Horne, LLP
2055 E. Warner Road, Suite 101
Tempe, Arizona 85284

This representation letter is provided in connection with your audits of the financial statements of I.C.A.N., Improving Chandler Area Neighborhoods, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date this letter is signed, the following representations made to you during your audit.

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We have reviewed and approved all adjustments summarized in the accompanying schedule that were made.
- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
- 18) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 19) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 21) I.C.A.N., Improving Chandler Area Neighborhoods is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

- 22) There are no unrecorded promises to give as of June 30, 2018 and the allowance for doubtful accounts has been recorded based on a reasonable estimate.
- 23) Accounts receivable in the amount of \$48,269 for the year ended June 30, 2018, represents complete amounts due as of those dates from all funding sources.
- 24) There are no temporarily restricted net assets as of June 30, 2018. We have spent all restricted funds in accordance with each donors request. Temporarily restricted net assets in the amount of \$19,405 have been accurately stated as of June 30, 2017.
- 25) We have and do maintain adequate general liability insurance.
- 26) All required governmental regulatory reports have been timely filed.
- 27) The Organization does not guarantee the debt of any other party.
- 28) We are not under audit by the Internal Revenue Service or applicable state taxing authority nor have we been notified that such an audit will be performed.
- 29) The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. We believe the Organization is not exposed to any significant credit risk on cash balances.
- 30) We do not self-insure against medical claims of our employees nor do we have an obligation to fund any shortfall in such medical reimbursement plans.
- 31) We have timely field all various tax and compliance returns for all jurisdictions and we have not been notified by any such jurisdictions as to any instances of noncompliance or have been assessed any penalties.
- 32) We have reviewed and approved all adjustments summarized in the accompanying schedule that were made to the financial statements records for the period covered by this letter.
- 33) We directly or through other resources to the Organization, have the qualifications and training to apply generally accepted accounting principles in the preparation of the Organization's financial statements.
- 34) In regard to the nonattest services (including nonattest services to affiliates), we have:
 - a) Assumed all management responsibilities.
 - b) Overseen the services by designating an individual who possesses suitable skill, knowledge or experience.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.The nonattest services provided by you are:
 - a) Tax compliance services.
 - b) Preparation of financial statements and related notes.
 - c) Proposal of entries affecting the financial statements.

Furthermore, we have reviewed and approved the financial statements and related notes

<i>Shelby Pedersen</i>	09-12-2018
Shelby Pedersen, Chief Executive Officer	Date

<i>Aaron Harris</i>	09-11-2018
Aaron Harris, Chief Financial Officer	Date

Client: **1014567 - ICAN**
Engagement: **1014567 - ICAN**
Period Ending: **6/30/2018**
Trial Balance: **05.01.01 - ICAN Trial Balance**
Workpaper: **05.02.01 - ICAN Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 100				
Immaterial - To rollforward net assets.				
3900	Net Assets		834.00	
8160	Postage & Shipping			834.00
Total			834.00	834.00
Adjusting Journal Entries JE # 102				
To reclass current portion of long-term debt				
2310	Current Portion -LT Debt		10,183.00	
2815	Less Current Portion			10,183.00
Total			10,183.00	10,183.00
Adjusting Journal Entries JE # 103				
To reclass funds received from Valley of the Sun United Way to program revenue				
4790	Civic/Faith Group Contributions		52,400.00	
4840	Other Program/Contract Revenue			52,400.00
Total			52,400.00	52,400.00
Adjusting Journal Entries JE # 104				
CLIENT ENTRY - to correct cash balance				
1017	Operating Account		8,562.00	
5040	Event Revenue - Other		25.00	
1017	Operating Account			25.00
7260	Phone Reimbursement			83.00
8120	Program Supplies			15.00
8150	Snack/Dinner Program			5,964.00
8270	Electric & Gas			1,725.00
8430	Continuing Education/Trainings			18.00
8470	Community/Employee Relations			49.00
8476	Merchant Fees			708.00
Total			8,587.00	8,587.00
Total Adjusting Journal Entries			72,004.00	72,004.00
Proposed Journal Entries				
Proposed Journal Entries JE # 200				
To correct accrued payroll balance as of 6/30/2018.				
7210	Salaries & Wages		7,154.00	
2100	Payroll Liabilities			7,154.00
Total			7,154.00	7,154.00
Proposed Journal Entries JE # 202				
To recognize funds received from Arizona Community Foundation to fund the off-site school based program.				
2806	Prepaid Revenue		20,000.00	
4720	Trust/Foundation Grants			20,000.00
Total			20,000.00	20,000.00
Total Proposed Journal Entries			27,154.00	27,154.00
Total All Journal Entries			99,158.00	99,158.00

Aaron Harris



September 14, 2018

Board of Directors:

The following statement has been prepared in response to the recommendation from ICAN's auditor, Henry & Horne for the fiscal year 2017-2018 audit:

Although all restrictions were properly released, management acknowledges that a stronger system was needed for releasing funds. Management has put a plan in place to track these amounts in a more formal method going forward.

A handwritten signature in black ink that reads "Shelby Pedersen". The signature is written in a cursive, flowing style.

Shelby Pedersen

CEO